



Robert Johnson, Senior Vice President
Hannon Armstrong

House Appropriations Committee
Subcommittee on Energy and Water Development

Fiscal Year 2018 Department of Energy Funding for
the Federal Energy Management Program

April 25, 2017

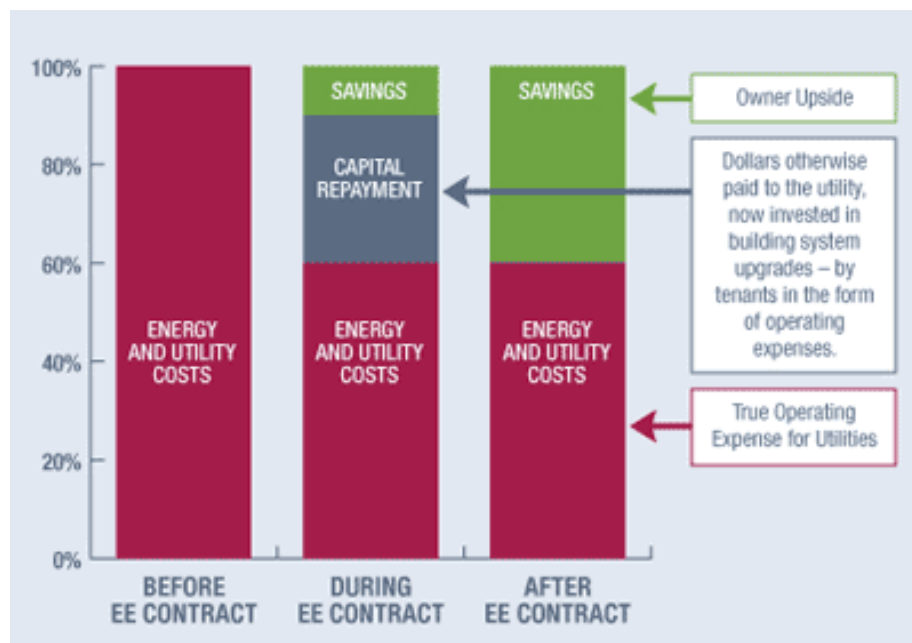
As a leading investor in sustainable infrastructure, including energy efficiency and renewable energy, Hannon Armstrong respectfully urges your support for funding the Federal Energy Management Program (“FEMP”), an important program that oversees and facilitates the implementation of Energy Savings Performance Contract (ESPC) and Utility Energy Service Contract (UESC) activities, all of which are currently contemplated in the Fiscal Year (FY) 2018 Energy and Water Development Appropriations bill.

Hannon Armstrong (NYSE: HASI) has 36 years of experience in sustainable infrastructure financing, including energy efficiency and renewable energy. We specialize in providing preferred or senior level capital to established sponsors and high credit quality obligors, such as U.S. federal, state and local governments, Global 1000 corporations and private developers, for assets that generate long-term, recurring and predictable cash flows.

Hannon Armstrong provides and arranges debt and equity financing for energy efficiency projects, which reduce energy usage or the cost of energy use. We often work with global energy service companies (ESCOs), which design and install improvements to various building components, including HVAC systems, lighting, energy controls, roofs, windows and/or building shells. We originate many of our transactions through programmatic finance relationships with

ESCOs as well as renewable energy manufacturers, developers and operators who own and operate renewable energy projects, including a number of U.S. utility companies.

ESPCs and UESCs enable agencies to procure energy services and projects without relying solely on appropriated funds to replace, operate, and maintain aging energy-using equipment. At no added cost to the government, ESPCs and UESCs assist agencies and installations in reducing their energy intensity, saving taxpayer dollars and in many cases improving mission readiness. These innovative contracts also require the assurance of financial savings.



ESPCs and UESCs have also resulted in the creation of thousands of local and un-exportable jobs. According to the Federal Performance Contracting Coalition (FPCC), for every \$10 million of investment in ESPCs and UESCs an estimated 95 high paying jobs are created. 40 of these jobs are created in the manufacturing sector, 35 jobs are created with subcontractors and installers and finally, 20 of the 95 jobs created are with the ESCOs.

ESPC and UESC contracts are excellent examples of the federal government leveraging private capital. With more than 350,000 energy-using buildings and structures representing nearly 2.4 billion square feet of facilities, the federal government is our nation's largest energy consumer. Federal agencies have a tremendous opportunity and an obligation to reduce energy and water use in their operations.

As the federal program responsible for providing services to enable all agencies to implement successful ESPC and UESC projects, FEMP provides crucial assistance, guidance, and training. **We therefore strongly urge funding of \$28 million for FEMP** so it may continue its vital work to cut energy waste and increase efficiency across the federal government through the public-private partnerships required under ESPCs and UESCs.

FEMP provides agencies and installations with the critical ESPC program information, tools, and assistance they need to meet and track their energy-related requirements and goals as required under law. FEMP is authorized to track agency progress on requirements of Section 432 of the Energy Independence and Security Act of 2007 (EISA) to audit facilities, report findings of implemented projects, and report annual building benchmarking metrics. FEMP is authorized by statute to establish appropriate procedures and methods for use by federal agencies with regard to the ESPC program. (See 42 U.S.C. § 8287(b)(1)(A); 10 C.F.R. § 436.30(a)).

FEMP has undertaken a number of efforts in support of the ESPC program, including training of energy managers through programs certified by the International Association for Continuing Education and Training, where roughly 9,500 people registered for FEMP training in 2015. FEMP offers technical assistance to agencies to identify energy efficiency and renewable energy technologies and assist the agencies in successfully implementing these technologies in

their buildings. Finally, FEMP provides resources and tools for purchasing energy- and water-efficient products and services to the federal agencies.

FEMP's most import effort is the coordinated and defined program management of ESPCs for federal agencies. FEMP staff help agencies use ESPCs in several ways: advising agencies on scoping, procurement, and performance requirements for energy conservation measures (ECMs); helping agencies select third-party ESCOs; finalizing contracting terms and project approval; and monitoring project implementation and performance.

FEMP is the program manager for the critical ESPC contracting tool used by federal agencies for the implementation of ESPCs – the Department of Energy, Indefinite Delivery Indefinite Quantity, Multiple Award, Energy Savings Performance Contract which was awarded by the Department of Energy's Golden Field Office to 16 Energy Services Companies on December 17, 2008. This contract has been instrumental in achieving the aforementioned energy and cost savings as well as the job creation outcomes for the nation.

Currently, DOE has an outstanding Request for Proposals (RFP) Indefinite Delivery Indefinite Quantity (IDIQ), Multiple Award, Energy Savings Performance Contract solicitation DE-SOL-0006380 / 000 which, once awarded, will take the place of the ESPC contract awarded in 2008. This new ESPC contract is an essential tool for the agencies and installations to continue achieving greater savings for the taxpayers and promote additional job creation for the economy.

We strongly urge \$28 million in funding for FEMP so it may continue its vital work as the program manager of ESPCs and the ESPC IDIQ contract. We thank you for providing this opportunity to submit this testimony and we look forward to working with you.

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